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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III

FACING PAGE

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

OMB APPROVAL  
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8-44746

REPORT FOR THE PERIOD BEGINNING JANUARY 1, 2001 AND ENDING DECEMBER 31, 2001  
MM/DD/YY MM/DD/YY

## A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER:

SUN VALLEY GOLD TRADING, INC.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

620 SUN VALLEY ROAD

KETCHUM,

(No. and Street)  
IDAHO

83340

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

PETER F. PALMEDO

208-726-2327

(Area Code — Telephone No.)

## B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

LALLMAN, FELTMAN, PETERSON &amp; COMPANY, P.A.

(Name — if individual, state last, first, middle name)

P.O. BOX 989

KETCHUM,

IDAHO

83340

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.

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PROCESSED

MAR 26 2002

THOMSON  
FINANCIAL

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

## OATH OR AFFIRMATION

I, PETER F. PALMEDO, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of SUN VALLEY GOLD TRADING, INC., as of DECEMBER 31,, 2001, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

NONE

State of Idaho

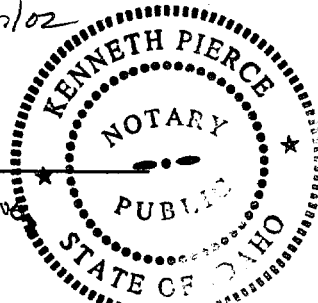
Blaine County

Affirmed by me 2/27/02

*[Signature]*

Notary Public

10-31-01



*[Signature]*

Signature

PRESIDENT

Title

This report\*\* contains (check all applicable boxes):

- ☐ (a) Facing page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of CASH FLOWS
- ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietor's Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or control Requirements Under Rule 15c3-3.
- ☒ (j) A Reconciliation, including appropriate explanation, of the Computation of Net Capital Under Rule 15c3-1 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) INDEPENDENT AUDITORS REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY RULE 17A.5.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).

**SUN VALLEY GOLD TRADING, INC.**

**FINANCIAL STATEMENTS  
AND  
SUPPLEMENTARY INFORMATION  
WITH INDEPENDENT AUDITOR'S REPORT  
DECEMBER 31, 2001**

# **SUN VALLEY GOLD TRADING, INC.**

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**LALLMAN, FELTMAN  
PETERSON & COMPANY, P.A.**

*Certified Public Accountants*

*Dennis Lallman*

*Mike Feltman*

*Greg Peterson*

*Tyler Felton*

*Tim Hamilton*

*Ken Pierce*

**INDEPENDENT AUDITOR'S REPORT**

February 22, 2002

To the Board of Directors  
Sun Valley Gold Trading, Inc.  
P.O. Box 2759  
Sun Valley, ID 83353

We have audited the accompanying statement of financial condition of Sun Valley Gold Trading, Inc. as of December 31, 2001, and the related statements of income, changes in shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above, present fairly, in all material respects, the financial position of Sun Valley Gold Trading, Inc. as of December 31, 2001, and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic financial statements taken as a whole.

**LALLMAN, FELTMAN, PETERSON, & COMPANY, P.A.**

*Lallman, Feltman, Peterson, & Company, P.A.*

**SUN VALLEY GOLD TRADING, INC.**  
**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2001**

**ASSETS**

**ASSETS:**

Cash and cash equivalents	\$ 25,818
Investment in securities, at market value (cost basis of \$332,404)	243,357
Commission receivable	47,862
Prepaid expenses and deposits	1,110
Commodities held (cost basis of \$29,718)	25,107
Receivable from related party	<u>17,049</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>360,303</u></b>

**LIABILITIES AND SHAREHOLDER'S EQUITY**

<b>LIABILITIES</b>	<b>\$ -0-</b>
<b>SHAREHOLDER'S EQUITY:</b>	
Common stock (\$1 par value, 10,000 shares authorized, 500 shares issued and outstanding)	500
Additional paid-in-capital	359,803
Retained earnings	<u>-0-</u>
<b>TOTAL SHAREHOLDER'S EQUITY</b>	<b>360,303</b>
<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<b>\$ <u>360,303</u></b>

**SUN VALLEY GOLD TRADING, INC.**  
**STATEMENT OF INCOME**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

**REVENUES:**

Commission income	\$ 157,817
Net investment income	91,758
Interest income	<u>3,624</u>

Total Revenues 253,199

**COSTS AND EXPENSES:**

Research expense	98,507
Personnel compensation and benefits	72,645
Other operating costs	14,070
Rent expense	24,358
Interest expense	530
Other expenses	<u>39,371</u>

Total Costs and Expenses 249,481

**NET INCOME** \$ 3,718

**SUN VALLEY GOLD TRADING, INC.**  
**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

	<u>Common Stock</u>	<u>Additional Paid-in- Capital</u>	<u>Retained Earnings</u>	<u>Total</u>
<b>BALANCE, DECEMBER 31, 2000</b>	\$ 500	\$ 373,145	\$ 32,940	\$ 406,585
S-Corp distributions	-0-	( 13,342)	( 36,658)	( 50,000)
Net income	<u>-0-</u>	<u>-0-</u>	<u>3,718</u>	<u>3,718</u>
<b>BALANCE, DECEMBER 31, 2001</b>	<u>\$ 500</u>	<u>\$ 359,803</u>	<u>\$ -0-</u>	<u>\$ 360,303</u>



**SUN VALLEY GOLD TRADING, INC.**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEAR ENDED DECEMBER 31, 2001**

**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income	\$ 3,718
Adjustments to net income to derive cash effect:	
Depreciation	242
(Increase) Decrease in assets:	
Investment in securities	129,096
Commission receivable	( 45,353)
Receivable from related party	( 17,049)
Increase (Decrease) in liabilities:	
Payable to related party	( <u>25,906</u> )
Net Cash Flow From Operating Activities	44,748

**CASH FLOWS FROM FINANCING ACTIVITIES:**

S-Corp distributions	( <u>50,000</u> )
Net Cash Flow From Financing Activities	( 50,000)

**NET DECREASE IN CASH AND CASH EQUIVALENTS** ( 5,252)

**CASH AND CASH EQUIVALENTS, Beginning of Year** 31,070

**CASH AND CASH EQUIVALENTS, End of Year** \$ 25,818

**SUN VALLEY GOLD TRADING, INC.**  
**NOTES TO FINANCIAL STATEMENTS**  
**DECEMBER 31, 2001**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(A) Organization**

Sun Valley Gold Trading, Inc., (the Company), a Subchapter S-Corporation, was incorporated in Idaho on January 27, 1992. The Company is a broker/dealer registered under the Securities Exchange Act of 1934, with its offices located in Sun Valley, Idaho. The Company's customers are located worldwide.

The Company introduces all of its trades on a fully disclosed basis through Bear Stearns, and therefore is exempt from Rule 15c3-3 of the Securities Exchange Commission under the provisions of subparagraph (k)(2)(ii).

**(B) Revenue and Expenses**

The Company is engaged in various brokerage and trading activities generally within the precious metals industry. These services are primarily provided to major institutional investment managers. Income and expenses relating to these securities transactions are recorded on a trade date basis.

**(C) Cash and Cash Equivalents**

For purposes of the statement of financial condition and statement of cash flows, cash and cash equivalents are defined as all cash and money market accounts.

**(D) Commission Receivable**

Commission receivable at year end represents commissions earned by the Company on securities transactions occurring in 2001.

**(E) Investment in Securities**

Investment in securities are valued at the last reported sales price or, if no sale occurred, at the bid price on the last business day of the year on a first-in, first-out (FIFO) basis. All of the Companies investments in securities are in securities relating to gold and precious metals.

**SUN VALLEY GOLD TRADING, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2001**

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING  
POLICIES (Continued)**

**(F) Commodities Held**

Investments in marketable commodities held are reported at fair value with unrealized gains and losses recognized as a component of income. Realized gains and losses are computed on the trade date by use of the first-in, first-out (FIFO) cost method, unless specifically identified.

**(G) Office Equipment and Leasehold Improvements**

Assets classified as office equipment and leasehold improvements are shown at historical cost less depreciation and amortization, respectively, over their estimated useful lives (3-5 years) using the straight-line method. Amortization of the leasehold improvements is included in accumulated depreciation. Total depreciation expense for the year ended December 31, 2000, was \$242.

**(H) Federal and State Income Taxes**

Under the Internal Revenue Code, a Subchapter S-Corporation is a tax reporting entity only. The individual shareholder reports his distributive share of corporate income and tax credits on his personal tax return.

**NOTE 2 - USE OF ACCOUNTING ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles required management to make estimates and assumptions that affect the financial statements. Actual results may differ from those estimates.

**NOTE 3 - COMMON STOCK**

In order to retain Subchapter S status for income tax purposes, the Company is restricted to no more than 75 shareholders and issuing one class of common stock.

**SUN VALLEY GOLD TRADING, INC.**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**DECEMBER 31, 2001**

**NOTE 3 - COMMON STOCK (Continued)**

All shareholders of the Company are required to enter into Shareholder Agreements. Among other items, these agreements restrict the sale of common stock and requires that shareholders meet certain criteria. If a shareholder desires to dispose of his common stock in the Company, these agreements require that the shareholder offer the stock to the Company and the Company must repurchase it at the established value (as defined in the agreements). At December 31, 2001, there was one shareholder.

**NOTE 4 - RELATED PARTY TRANSACTIONS**

During 2001, the Company reimbursed Sun Valley Gold, LLC, a related party, for office and research costs paid on behalf of the Company. At December 31, 2001, the Company had overpaid these types of costs and was owed \$17,049.

**NOTE 5 - NET CAPITAL REQUIREMENT**

The Company is subject to the Securities and Exchange Commission Uniform Net Capital Rule (Rule 15c3-1), which requires the maintenance of minimum net capital and certain ratios of aggregate indebtedness to net capital, both as defined. At December 31, 2001, the Company had net capital, as defined, of \$214,204, which was \$114,204 in excess of its required net capital of \$100,000. The Company's aggregate indebtedness to net capital ratio at December 31, 2001 was 0.00%.

**NOTE 6 - CONCENTRATION OF CREDIT RISK**

The Company maintains a significant portion of its cash and cash equivalents with a single brokerage firm. In addition, as a broker/dealer, a portion of the securities transactions are collateralized and executed with and on behalf of institutional investors, including other brokers/dealers. The Company's exposure to credit risk associated with the non-performance of these customers and counterparties in fulfilling their contractual obligations pursuant to securities transactions can be directly impacted by volatile trading markets, which may impair customers' and counterparties' abilities to satisfy their obligations to the Company.

Fifty nine percent of the Company's commission revenue is generated by one client. Loss of this client would negatively effect the Companies operations.

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## **SUPPLEMENTARY INFORMATION**

**-oOo-**

**SUN VALLEY GOLD TRADING, INC.**  
**COMPUTATION OF NET CAPITAL UNDER RULE 15c3-1 OF THE**  
**SECURITIES AND EXCHANGE COMMISSION**  
**AS OF DECEMBER 31, 2001**

**NET CAPITAL:**

Total shareholders' equity from the Statement of Financial Condition	\$ 360,303
Deduct shareholders' equity not allowable for net capital	<u>-0-</u>

Total Shareholders' Equity Qualified for Net Capital	360,303
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**ADD:**

Liabilities subordinated to claims of general creditors allowable in computation of net capital	-0-
Other (deductions) allowable credits	<u>-0-</u>

Total Capital and Allowable Subordinated Liabilities	360,303
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**DEDUCTIONS AND/OR CHARGES:**

Non-allowable assets:	
Prepaid expenses	\$ 1,110
Receivable from related party	17,049
Commodities held	<u>5,021</u>

Total Deductions and/or Charges	<u>23,180</u>
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Net capital before haircuts on securities positions	337,123
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**HAIRCUTS ON SECURITIES:**

Other securities	116,689
Undue concentration	<u>6,230</u>

Total Haircuts on Securities	<u>122,919</u>
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<b>NET CAPITAL</b>	<b><u>\$ 214,204</u></b>
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**COMPUTATION OF BASIC NET CAPITAL REQUIREMENT:**

Minimum net capital required (6.6666% of A.I.)	\$ <u>-0-</u>
Minimum dollar requirement	\$ <u>100,000</u>
Net capital requirement	\$ <u>100,000</u>
Excess net capital	\$ <u>114,204</u>
Excess net capital at 1000%	\$ <u>214,204</u>

**AGGREGATE INDEBTEDNESS:**

Items included in Statement of Financial Condition:

Accounts payable	\$ <u>-0-</u>
Total Aggregate Indebtedness	\$ <u>-0-</u>
Ratio: Aggregate indebtedness to net capital	<u>0.00%</u>

**RECONCILIATION WITH COMPANY'S COMPUTATION  
(included in Part IIA of Form X-17A-5 as of December 31, 2001):**

NET CAPITAL, as reported in Company's Part IIA (Unaudited) FOCUS report	\$ 214,204
Net audit adjustments	<u>-0-</u>
Net Capital, per above	\$ <u>214,204</u>
AGGREGATE INDEBTEDNESS, as reported in Partnership's Part IIA (Unaudited) FOCUS report	\$ -0-
Net audit adjustments	<u>-0-</u>
Net Aggregate Indebtedness, per above	\$ <u>-0-</u>

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL  
ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

February 22, 2002

To the Board of Directors  
Sun Valley Gold Trading, Inc.  
P.O. Box 2759  
Sun Valley, ID 83353

In planning and performing our audit of the financial statements and supplemental schedules of Sun Valley Gold Trading, Inc. for the year ended December 31, 2001, we considered its internal control structure including procedures for safeguarding securities in order to determine our auditing procedures for purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company including tests of such practices and procedures that we considered relevant to the objectives stated in rule 17a-5(g) in making the periodic computations of aggregate indebtedness (or aggregated debits) and net capital under rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of rule 15c3-3. Because the Firm does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Firm in any of the following:

1. Making quarterly securities examinations, counts, verifications, and comparisons.
2. Recordation of differences required by rule 17a-13.
3. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Firm is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Firm has responsibility are safeguarded against loss from unauthorized use or disposition, and that transactions are executed in accordance with management's authorization and recorded to properly permit the preparation of financial statements in accordance with generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Independent Auditors' Report on Internal  
Accounting Control Required by SEC Rule 17a-5  
Sun Valley Gold Trading, Inc.  
February 22, 2002

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Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or irregularities may nevertheless occur and not be detected. Also, projections of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or the degree of compliance with them may deteriorate.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities and Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Firm's practices and procedures were adequate at December 31, 2001, to meet the SEC's objectives.

This report is intended solely for the use of the board of directors, management, the SEC, and other regulatory agencies which rely on rule 17a-5(g) under the Securities and Exchange Act of 1934 in their regulation of registered brokers and dealers, and should not be used for any other purpose.

**LALLMAN, FELTMAN, PETERSON & COMPANY, P.A.**  
Ketchum, Idaho

*Lallman, Felتمان, Peterson & Company, P.A.*